Calendar No. 188

98TH CONGRESS, 1st Session } SENATE { REPORT No. 98-124

RESOLUTION ON A NEW LONG-TERM AGREEMENT ON AGRICULTURAL TRADE

MAY 17 (legislative day, MAY 16), 1983.—Ordered to be printed

Mr. DOLE, from the Committee on Finance, submitted the following

REPORT

[To accompany S. Res. 95]

The Committee on Finance, to which was referred jointly with the Committee on Agriculture, Nutrition, and Forestry, the resolution (S. Res. 95) expressing the sense of the Senate regarding negotiation of a new agricultural agreement with the Soviet Union, having considered the same, reports favorably thereon with amendments and recommends that the resolution as amended do pass. The amendments are shown in the reported resolution with matter proposed to be deleted struck through, and the matter to be inserted shown in bold italic type.

I. SUMMARY

Senate Resolution 95 expresses the sense of the Senate that the President should initiate negotiations on a new long-term agricultural trade agreement [LTA] with the Soviet Union. The existing agreement, which covers sales of wheat and corn, expires September 30, 1983. Subsequent to the introduction of Senate Resolution 95, President Reagan announced he had proposed a new agreement to the Soviet Union, although its specific content was not announced. Senate Resolution 95 would urge the President to initiate negotiations on a new agreement that would be expanded to encompass higher minimum and maximum supply guarantees, and also exports of bulk commodities and value-added products in addition to wheat and corn.

II. GENERAL EXPLANATION

President Ford concluded the existing long-term agreement (26 UST 2971; TIAS 8206) in 1975 following large Soviet grain purchases

20-513 O

S363-4

at market-disruptive prices. The purpose of the LTA was to ensure market stability by establishing minimum and maximum levels of Soviet purchases of wheat and corn, in approximately equal proportions. These levels are 6 million and 8 million tons, respectively, but purchases may be increased by mutual consent. Reciprocally, the United States committed itself to facilitate and to encourage these sales, and to limit the use of discretionary governmental authority to control covered exports.

Purchases pursuant to the agreement exceeded the maximum supply guarantee every sales year (October to September) after the first, although President Carter in 1980 limited sales to the maximum guarantee following the Soviet invasion of Afghanistan. The LTA expired in September 1981, but it has been extended twice for 1 year by President Reagan.

Although President Reagan lifted the cap on sales in 1981, they have remained depressed. The following data show the actual sales of wheat and corn during the life of the LTA.

[In millions of tons]

	Corn	Wheat	Total
Year (October to September):			
1976–77	3.1	3.0	6.1
1977–78	11.1	3.5	14.6
1978–79	11.5	3.8	15.3
1979–80 [1]	6.0	2.3	8.3
1980–81	5.7	3.8	9.5
1981–82	7.8	6.1	13.9
1982–83 [2]	3.2	3.0	6.2

[1] Sales prior to imposition of the partial embargo on Jan. 4, 1980, totaled 21,000,000 tons of corn and wheat.
[2] As of Apr. 30, 1983.

American farmers lost hundreds of millions of dollars in sales to other suppliers as a result of the embargo. Further, the U.S. reputation as a reliable supplier suffered a severe blow. Prior to the embargo, the Soviet Government purchased approximately 4.3 million tons of wheat and corn from sources other than the United States. These other countries achieved sales of 24 million tons after the embargo. The U.S. market share has dropped approximately from 70 to 20 percent, and 5 other countries now have entered into LTAs with the Soviet Union.

The committee believes that a new LTA should be negotiated that will stem this hemorrhage in U.S. agricultural export sales, and restore a more permanent framework through which America's reliability as a commercial partner may be ensured. The committee was gratified by the President's announcement on April 22, 1983, that he had proposed the negotiation of a new agreement to the Soviet Government. In the committee's opinion, Senate Resolution 95 will reinforce the seriousness with which the President's proposal will be viewed, and will provide sound backing to proposals for an improved and expanded agreement.

THE COMMITTEE RESOLUTION

The resolution approved by the committee calls for early initiation of negotiations on a new long-term agreement. It further resolves that important goals for such negotiations are terms covering, first.

higher minimum and maximum supply guarantees than are currently applicable, and second, trade in additional bulk commodities and in value-added products. In addition, the resolution requests a report on the potential economic benefits of a new LTA, and calls on the President to take other appropriate measures to facilitate agricultural trade with the Soviet Union.

SECTION-BY-SECTION ANALYSIS

The preamble of Senate Resolution 95 recites the importance of exports to U.S. farmers; the destructive effect of the 1980 grain embargo on farm prices and income and the U.S. reputation as a reliable supplier; and the importance to the economy of reviving this market for U.S. commodities.

Paragraph (1) expresses the sense of the Senate that the President should initiate negotiations on a new LTA as soon as practical. President Reagan announced on April 22 that he had proposed such negotiations to the Soviet Union, and the committee is encouraged that actual negotiations, indeed, will commence in the near future. Because of the President's announcement, the committee amended paragraph (1) to delete the call for him to report to Congress his intention to do so.

Paragraph (2) calls for the negotiators to consider certain new terms for inclusion in the LTA.

First, higher minimum and maximum supply guarantees should be set. Higher levels would more realistically reflect increases in U.S. supply availabilities and Soviet import requirements since negotiation of the existing LTA. Further, a higher minimum level will assure U.S. farmers of a stable export market for the life of the agreement.

Second, the resolution calls for the President to seek terms in a new LTA that will cover products previously not within its ambit. In particular, the committee believes that a new LTA could encompass bulk commodities, such as rice, and value-added products, such as soybean meal, corn gluten feed, and wheat flour. Although Senate Resolution 95, as introduced, addressed the inclusion of value-added products, the committee amended paragraph (2) to include also the export of additional bulk commodities.

While inclusion of such products should not be at the expense of wheat and corn sales, which form the principle basis of the LTA, the committee is convinced that an agreement can and should be reached to cover these additional articles. Assured sales of them would benefit both the United States and the Soviet Union.

Paragraph (3) calls for an analysis of the economic impact induced by a new LTA on U.S. agriculture and on related food processing and transportation industries. In evaluating the terms of an LTA and the need to review other measures to restore U.S. agricultural exports to previous levels, the Congress requires a full evaluation of the benefits a new and expanded agreement might be expected to generate. Because Senate Resolution 95, as introduced, called for such a report by April 30, 1983, the committee amended the resolution to request a report as soon as possible.

Paragraph (4) lastly resolves that the President should pursue other appropriate actions to facilitate unfettered export of agricul-

tural products to the Soviet Union. In the increasingly competitive international environment, in which U.S. farmers must contend not only with the treasuries of other nations but also with restraints occasionally imposed unilaterally by their own government, it is important consciously to pursue policies that will foster U.S. export sales and America's image as a reliable supplier.

Section 2 of Senate Resolution 95 instructs the Secretary of the Senate to transmit the resolution, when approved by the Senate, to those officials of the executive branch principally responsible for negotiations regarding a new LTA. These are: the President, the U.S. Trade Representative, the Secretary of State, the Secretary of Agriculture, the Secretary of the Treasury, and the Secretary of Commerce.

ESTIMATED REVENUE IMPACT

The resolution is expected to have no revenue impact.

PRIOR ACTION

There has been no Senate action on any resolution or bill comparable to Senate Resolution 95.

III. Vote of the Committee in Reporting the Resolution

In compliance with paragraph 7(c) of rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the vote by the committee to report the resolution: the resolution was ordered favorably reported without objection.

○